

# Delivering Change Budget Town Hall 2004

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Dear Fellow Ontarians,

As we prepare for the Budget, we are embarking on an unprecedented dialogue with Ontarians. I want our government to be a prudent, progressive and positive force for change that works for all Ontarians. To get there we need to make choices and we need to make them together.

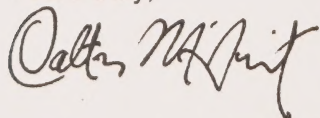
We will be convening discussions with experts and stakeholders across the province, and will be holding town hall sessions with citizens. You can also give your views on our new website [www.townhallontario.gov.on.ca](http://www.townhallontario.gov.on.ca)

In this discussion guide, we are asking you what you and your fellow citizens value, what you believe to be the best path to take and why. We will use the findings from this process to help guide budget-making in Ontario over the next four years. I am also hopeful that through this process, Ontarians can learn more about the nature of the challenge in front of us.

Together we can find the best way to improve the quality of our public services and get Ontario back on track. Together, we will make these choices because no one of us is as strong or as smart or as capable as all of us. We are all equal citizens with an equal stake in our province's future, and we all have something to contribute. I urge you to continue this dialogue with your families, friends and neighbours. Our province will be stronger if we all participate. Together we will make Ontario the envy of the world once again.

Thank you for your engagement with this process and your commitment as citizens to Ontario.

Yours truly,



Premier Dalton McGuinty





## ***The Issue: Why We're Here***

The Ontario Government wants your advice on how to achieve the best possible outcomes from the money it spends and the revenues it collects. This means reshaping the way government delivers services to make them more efficient and effective, shifting resources from services that matter least to those that matter most and in some cases finding new revenue sources.

In all decisions we make, we have to ensure that we are living within our means. We now know that the new government has inherited a deficit of \$5.6 billion because spending has outstripped revenues. When the government took office last fall, immediate measures were taken to rollback further tax cuts and tax credits, but there's more to do to balance the books.

While the deficit is an obstacle, the government remains committed to delivering on its key priorities. Families understand that there are difficult choices to make when their household income falls short of expenses. They know that they must prepare a plan to get their finances back on track. The same is true for the Ontario government.

**The issue before this Town Hall is how we can best meet our priorities while living within our means. What values and principles should guide the government's decisions in developing budgets for the next four years?**

It is up to us, as citizens, to express our opinions and the values we want to see reflected in the government's decisions – and to offer our best ideas for getting the results that matter most.

## Government Priorities

Based on its election mandate, the government has identified five major priorities and is proposing key results to show that progress is being made on these priorities. This way, the people of Ontario will be able to judge the performance of the government over the next four years by checking progress on these key results. This is a new approach – in the past, governments have focused on quantity of spending, not on the quality of the results.

Priorities	Key Results
Better student achievement	Higher literacy and math scores. More kids learning until age 18. Closing the gap between our weakest and strongest learners.
Healthier Ontarians in a healthier Ontario	Reduced waiting times for key services. More families with access to primary health care. Increased rate of physical activity among Ontarians.
Better workers for better jobs in an innovative economy	Higher productivity levels. Sustainable balanced budgets. Increased amount of renewable energy available.
Safe and vital communities that offer Ontarians a higher quality of life	Increased public transit ridership. Increased number of parks/protected areas. Reduced level of street and gun crime.
More active citizens contributing to a stronger democracy	More people (especially young people) voting. More Ontarians volunteering in their communities. Campaign finance reform.

Has the government chosen the right results to measure success, or are there others you can think of?



## ***Economic and Fiscal Outlook***

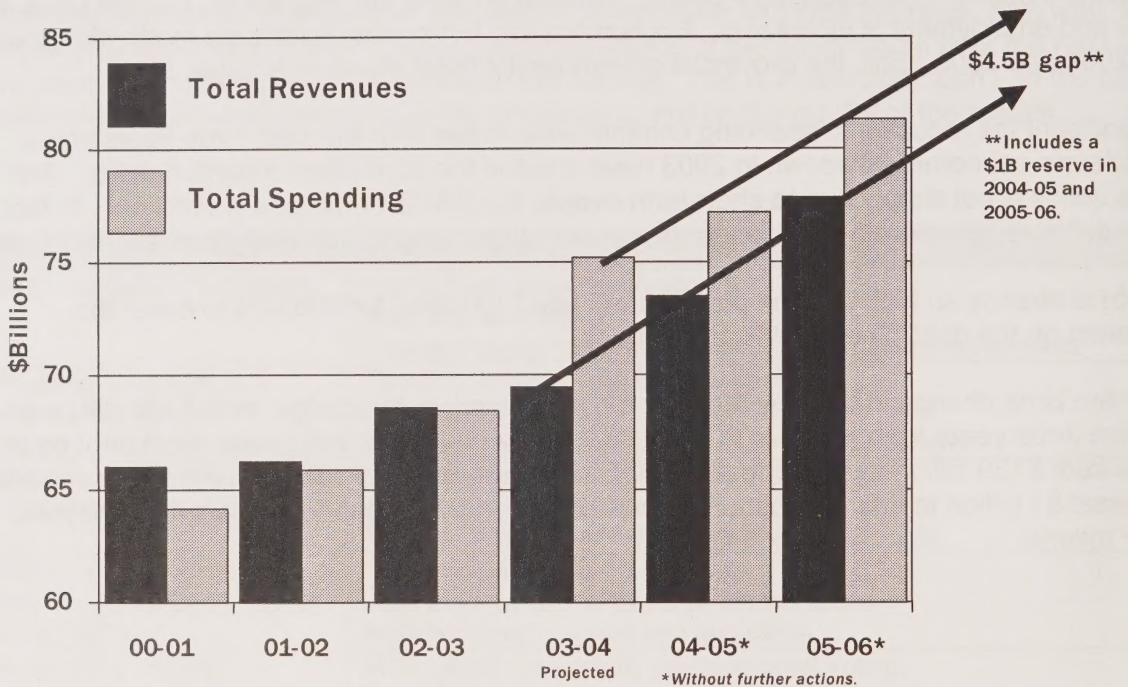
Ontario's economy is reasonably strong. Inflation remains low and stable, interest rates are low and employment is increasing. Economists are forecasting continued moderate growth in 2004 and 2005. Still, the provincial government's fiscal situation is weak.

Significant tax reductions, spending commitments made over the past three years and a moderate economic slowdown in 2003 have created the \$5.6 billion inherited deficit. And this deficit is not simply due to short-term events like SARS or the power blackout. In fact, the deficit is "structural" – that is, our revenues are growing more slowly than expenditures.

Debt is already so high that the province will pay \$10 billion for 2003-04 to cover the interest on the debt. This is 14% of revenues.

If there is no change in the way the government operates, the budget deficit will still be \$4.5 billion three years from now – in 2006-2007. In this projection, net government debt could rise from \$139 billion this year to about \$150 billion by March 2007. The extra debt will add at least \$1 billion to interest costs. This outcome is not acceptable. We are living beyond our means.

## The Structural Deficit



Source: Ontario Ministry of Finance.

## Where Does the Money Come From? Where Does It Go?

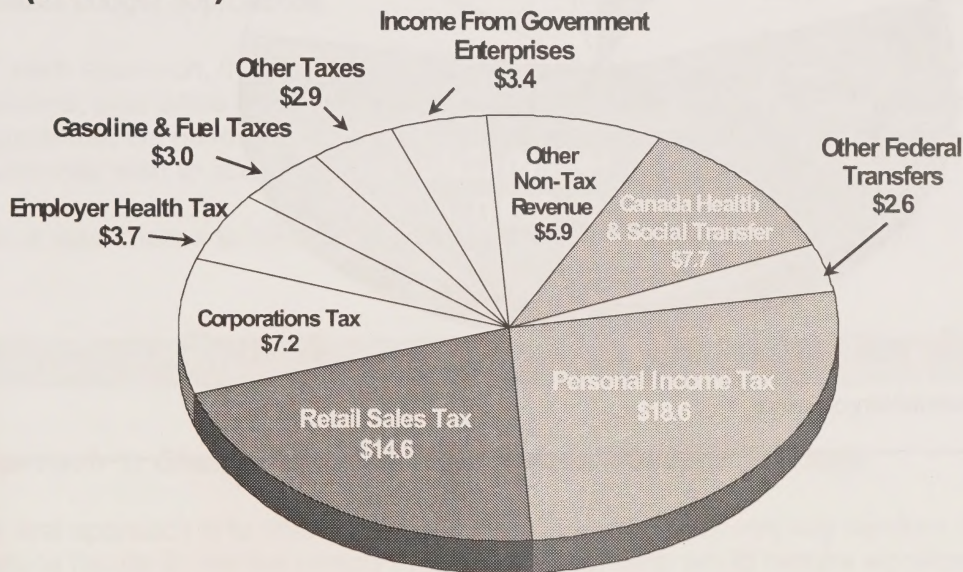
The provincial government expects to collect nearly \$70 billion and spend more than \$75 billion during the current fiscal year, which ends March 31, 2004. The following pie charts show the most important sources of revenue and expenditure. It is important to know that in the past four years spending has increased by \$11 billion or 4% per year with health spending increasing at about 8% a year and operating spending on post secondary education, school boards and training by about 5% a year. Spending on interest in public debt has declined by \$1 billion in the past four years because of the decline in interest rates and spending on the environment and resources fell by almost \$1 billion.



Only 20% of program and services spending (excluding interest on debt) is actually spent by the provincial government. The remaining 80% is provided to hospitals, school boards, universities, and municipalities. Hospitals, school boards and the Ontario Health Insurance Plan (OHIP) require \$26 billion of the government's resources.

Population growth is also influencing spending. Ontario has 1.8 million more people now than in 1991 – a gain of 17%. The fastest growing groups are 45 to 64 year olds and people over 75.

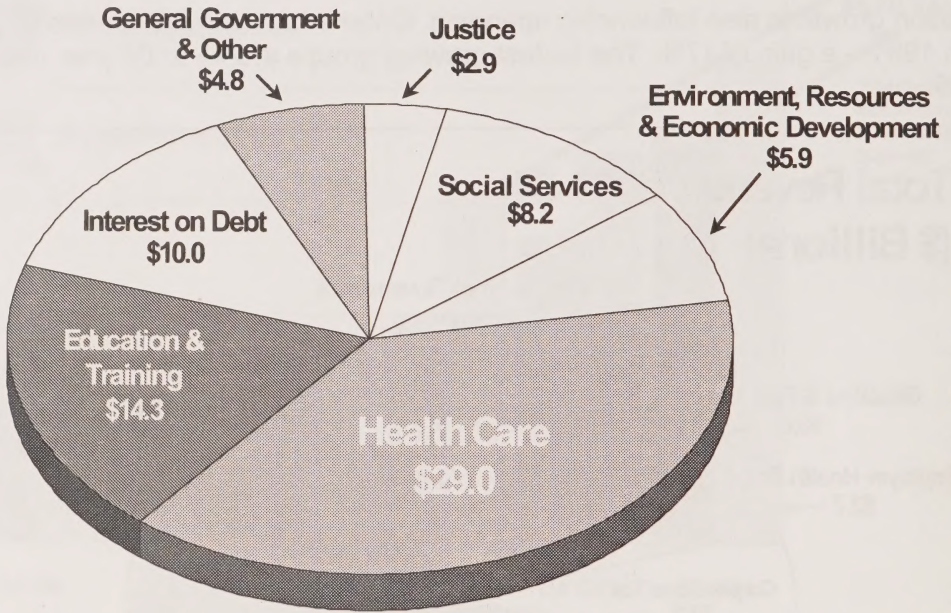
## Total Revenue, 2003-04 (\$ Billions)



Source: Ontario Ministry of Finance.

**Note:** Other taxes include Tobacco Tax, Land Transfer Tax, Payments in Lieu of Taxes paid by electrical utilities and a number of smaller taxes. Other non-tax revenues are largely from fees, licenses, permits, sales and rentals and reimbursements for services. Canada Health and Social Transfer is the main ongoing source of federal government contribution to health, post-secondary education and social programs. Other federal transfers include funds for settlement and language training for newcomers to Canada.

## Total Expense, 2003-04 (\$ Billions)



Source: Ontario Ministry of Finance.



## ***Agenda for Dialogue***

Whether you are reading this guide in your home, or participating in a town hall session, we're here to consider how the government can best meet Ontario's priorities and achieve key results, while living within our means.

The budget cuts of the past decade have weakened public infrastructure – from highways to regulatory systems. So across-the-board cuts in spending make no sense. Instead, the government plans to improve the services that mean the most to Ontarians by focusing its resources on results. The government wants advice on how to do this.

We'll begin by asking what values you think should guide the government's decisions in developing its budgets for the next four years. Then, most of our time will be spent on four possible budget approaches.

For each approach, this guide sets out basic principles that could guide the government's decisions, plus some concrete examples that show how the approach could work. You may suggest that the government use all of these approaches, you may emphasize one or two, or you may wish to add others.

This is your chance to have a voice in the decision-making.

## ***Four Approaches to Meeting Our Priorities***

### ***Approach 1: Change the Way Government Delivers Services***

The first approach is to change the way the government delivers key services in order to produce results in the five priority areas. This approach would require significant transformation and would cost money upfront, but would improve services and make them more sustainable in the long term.

#### **Background**

Government delivers a variety of different programs. In this approach, key services would be transformed in order for the government to achieve results and Ontarians to receive

better services. Large upfront investments would be required to transform the way services are delivered, but once the new systems are operating, money would be saved over time.

### **Principles**

All ministries would be expected to propose better ways of delivering services.

These new ways of operating should help government achieve results and provide better service to Ontarians once fully implemented.

The government will provide funds from areas described in Approach 2 to pay for the upfront investments required to pay for the transformation of key services.

### **Examples**

Health care and education are the largest program areas and are most in need of transformation.

- The health care system would be transformed to focus on keeping people well, providing services outside of hospitals, and using teams of professionals to care for citizens. It will also be modernized by creating electronic health records.
- More funds would be invested in early childhood education because the first six years of life are critical to building a foundation for life-long learning.

Health – Currently, the health care system is focused on physicians treating people when they are sick, often in the hospital setting. This is the most expensive way to provide health care – it costs nearly \$1000 a day to care for someone in an average hospital bed. The health care system could be transformed to allow family health teams to focus on keeping people well and caring for them outside of hospitals. In order to make this transformation cost effective in the long run, the health care system would have to be modernized with electronic health records. Would encouraging less expensive and more effective ways to provide care provide better services to Ontarians? Would it be appropriate to use the funds raised from other approaches to pay for upfront investments required to transform health care?



Education - There are currently about 995,000 children aged 0-6 in Ontario, and only 10% of children under age 13 are cared for in licensed centres. Ontario currently spends over \$700 million to help parents with their childcare needs. This includes tax benefits to low and middle-income families to supplement childcare expenses and subsidies for families on welfare. Early learning programs could be offered through a more integrated network, for example, child care, early learning, education and health services for children. Would it be appropriate to use the funds raised from other approaches to deliver on these priorities?

## ***Approach 2: Concentrate on Core Priorities***

The second approach is for government to focus on its core priorities. Some things government currently does may not meet core priorities – these activities would be eliminated or done by others. This would free up funds to reduce the deficit or invest in new and better ways of delivering public services, as described in the first approach.

### **Background**

When money is scarce, we all have to make decisions about what is most important. As the economy evolves and the needs of Ontarians change, it is possible that some government activities can be dropped and others delivered by someone else.

### **Principles**

Government should regularly review all its activities to ensure they are still important and continue to meet stated objectives.

Government should extract as much financial value from its assets as possible in order to invest in core priorities.

The government should maintain or enhance regulatory standards for businesses it sells or leases to protect the public interest.

### **Examples**

The government could:

- Reduce spending on programs that do not contribute to core priorities.
- Sell or lease government businesses to raise money to transform key services.

Currently, the government pays \$54 million a year to operate TV Ontario. Originally, TVO was created to help educate and inform Ontarians by supporting the education and training systems in Ontario. TVO now provides more broadly based public television. Is this the best way to spend money to achieve results in education?

The government also provides a drug benefit program for seniors. Under this program, all seniors, regardless of income, receive their medication without having to share any significant portion of the cost. The cost of this program is rising by over 14.3% a year. Should those who can afford it be required to pay more so that the government has more money to invest in priority areas?

The government owns a number of businesses that could be leased or sold in order to free up money to invest in core priorities. An example of a business that the government could sell or modify is the LCBO. The LCBO is the largest single retailer of alcohol in the province. It owns/leases and operates 600 retail stores in Ontario. In 2002/2003, the LCBO brought in \$975 million to the provincial government. If the government were to move to a fully private alcohol retailing and distribution system it could continue to regulate liquor sales (including sales to minors). One option could be to sell the LCBO as franchises (like Tim Horton's or Pizza Hut) while continuing to collect tax on beverage alcohol sales. It could use the money from the sales to invest in the transformation of key services, as described in the first approach. Does the business of alcohol purchase and distribution contribute to the government's core priorities?

### ***Approach 3: Raising Additional Revenue***

The third approach is to raise additional revenues to reduce the deficit and invest in core priorities. This approach would see the government increase revenue by charging more for services it currently provides, closing tax loopholes and introducing or expanding programs that generate revenue.

#### **Principles**

All Ontarians should have access to the highest quality essential public services.

The government should never charge more for a service than the cost to provide it.



The government should only introduce or expand programs that generate new revenue when it is in the public's interest to do so.

### **Examples**

The government charges fees for many of the services it provides to the public. These fees cover a portion of the cost to deliver the service. For example, the government currently charges \$50 for a five year driver's license. This fee covers only a small portion of the cost for the government to provide this regulatory service. The last increase in driver's license fees was in 1989. Should the government consider increasing this fee?

Previous governments have created a number of tax loopholes. For example, the government does not tax prepared meals that cost less than \$4, therefore creating a loophole for fast food. The government loses \$200 million every year by allowing this loophole to exist. Does this make sense to citizens and businesses?

Under this approach, government could also allow the expansion of programs that generate revenue. For example, the government could allow photo radar to be used in the province. Photo radar provides more stringent enforcement of speeding on highways and saves police time and money. Photo radar could produce an additional \$150 million in revenue to government through fines charged to those caught speeding. Is this a reasonable way for the government to increase revenue?

### ***Approach 4: Foster Conservation and Sustainability of Resources***

The fourth approach is to ensure conservation of scarce resources. Users would pay more of the full cost for these resources in order to encourage conservation and appropriate use. This approach also calls for action to ensure that basic needs are met for all. It would free up money to be used to achieve priorities.

### **Background**

Some essential public services consume natural resources and the government charges user fees, but the fees do not always cover the full cost of providing the goods or services. These include electricity, water and transportation. This means that the government is subsidizing these services and cannot build up the funds needed to invest in future capacity. In many cases we are depleting the natural environment.

### Principles

Where essential public services consume resources, users should pay a price that covers the full cost of delivering the service and renewing the resource.

When this leads to higher prices for an essential service, steps should be taken to protect access to that service for all Ontarians.

Higher prices should promote sustainable use of resources and services.

The government should charge the cost of the service and no more.

### Examples

The government has already announced plans to bring electricity pricing in line with the real cost of power.

Another example of this approach is the sale of water. Canadians consume more water than citizens in other industrialized countries. In 1996, revenues from water supply covered only 50% of estimated costs of providing the service. Water rates in Ontario are some of the lowest in the world. To what extent should the public pay the full cost of essential services that consume resources, in order to ensure they are used responsibly and are available for generations to come?

A second example is transportation. Ontarian's dependency on road transport produces growing congestion and smog in large urban areas and high rates of wear and tear on major highways. The province spends about \$1.05 billion on provincial highway construction and maintenance each year, while the province collects about \$2 billion in gasoline taxes. Could the use of tolls (that reflect *actual costs*) subsidize other government programs and services?



## My Advice

If I had to decide how to invest \$100 for services in each of the five priority areas, knowing that I had to allocate some money for each priority, I would spend:

\$ \_\_\_\_\_ On better student achievement  
 \$ \_\_\_\_\_ On healthier Ontarians in a healthier Ontario  
 \$ \_\_\_\_\_ On better workers for better jobs in an innovative economy  
 \$ \_\_\_\_\_ On safe and vital communities  
 \$ \_\_\_\_\_ On more active citizens contributing to a stronger democracy  
 = \$100

Having considered the four approaches, I would recommend that the government use the approaches to prepare the budget on the following –  
 5= Strongly Agree, 1= Strongly Disagree

### APPROACHES:

Agree ← → Disagree

	5	4	3	2	1
1. Change the Way Government Delivers Services					
2. Concentrate on Core Priorities					
3. Raising Additional Revenue					
4. Foster Conservation and Sustainability of Resources					
5. Other					

My postal code is \_\_\_\_\_

Thank you for participating in this important Town Hall. Please tear off this page and fax it to (416) 326-5348 or mail to Town Hall Ontario, Box 40, 77 Wellesley Street West, Toronto, ON M7A 1N3.

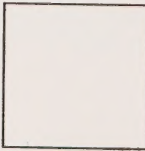
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